2017 NASCA Institute on Management and Leadership

Atlanta, Georgia | October 10 – 11, 2017

Overview of Lessons Learned

In early October, dozens of state chief administrators (SCAs) and private sector representatives convened in Atlanta, Georgia, to reflect on how leaders can successfully respond to the new velocity of change. Through presentations, conversations with private vendors, exploration of case studies, and networking opportunities with their peers, state chief administrators obtained valuable insights into technical and adaptive leadership, introducing disruptive innovations, pacing change, harnessing big data, preparing for new digital capabilities and technologies, and more. Institute participants also read and discussed case studies that chronicled the successful development and expansion of Alternative Workforce Solutions in Tennessee and the launch of a unified service delivery center for human resources and information technology in Pennsylvania. Key takeaways from the Institute's discussions and presentations are summarized below.

The Velocity of Change, *Antonio Oftelie, Leadership for a Networked World and The Technology and Entrepreneurship Center at Harvard*

Antonio Oftelie began by inviting the group to consider the following question: "If investment in your services was solely dependent on measurable outcomes – what form of organization and services would you design now? How quickly could you move?" He introduced examples of organizations that are redesigning their business models to embrace the "outcomes-economy," describing efforts being led by GE, Johnson & Johnson, and Stanley Black & Decker. Then he reflected on the leadership needed to effectively introduce innovations, sharing insights gleaned from a study examining innovation and change in Formula 1 racing. In particular, he highlighted the relationship between effectively introducing innovations, gaining performance advantages, and the level of turbulence organizations are facing (defined by the magnitude, frequency, and predictability of change). Dr. Oftelie shared highlights from the Compass diagnostic that showed respondents experiencing significant pressure to innovate and improve service delivery, high magnitude and frequency of change, and less predictability of change. He noted significant barriers to responding to the velocity of change, such as culture, funding, politics, and fear, and he spoke about enablers to responding to the velocity of change, such as leadership, technology, budgets, demand, vision, and the workforce. Dr. Oftelie reflected on four strategic directions SCAs are leading change to not only optimize current performance, but also create new methods of generating public value: the Optimized Enterprise, the Citizen-Centric Service, the Agile Workforce, and the Evidence-Based Organization. Finally, he considered the technical and adaptive challenges of leading transformation in each of these areas.

Association Panel

Following Dr. Oftelie's presentation, representatives from partner organizations NASCIO, NASPO, NASBO, and NASPE shared insights on the findings from the Compass diagnostic and reflected on opportunities for the associations to come together to respond to the new velocity of change. Doug Robinson (NASCIO) spoke about the challenges of operating in an unpredictable environment; cultural resistance to change; how the pace of change is driving an evolution of business models; strategies CIOs are adopting to prepare for AI, machine learning, increased automation, and so forth; opportunities for associations to partner to inform each other and demystify important issues; and building talent pipelines. Lendel Haddon (NASPO) discussed pressures to innovate, strategies to embrace change, factors that are shaping the workforce and culture in state government in a positive manner, generational changes underway, opportunities for the associations to collaborate and coordinate, and the importance of making public service cool. John Hicks (NASBO) talked about how to respond to industry and workforce challenges, preparing states to navigate the next recession, strategies to acquire tools that will increase efficiency, developing budget strategies, the importance of identifying legislative champions to sustain change, and supporting collaboration one level down from cabinet officials. Leslie Scott (NASPE) reflected on the need to innovate and adapt state workforces; the importance of people and creativity in driving change; strategies to recruit and retain new talent; the challenge of high turnover rates in state HR directors; the importance of addressing workforce as an enterprise-wide issue, eliminating silos, and championing state employees with legislators and Governors; and the power of creating a common message across state government. Following the panel presentation, participants engaged in a dialogue with the group, discussing strategies to establish consistent leadership; respond to a rapidly changing environment in a responsible, sustainable manner; manage pressures to move fast (and balancing that with deliberate action); IT funding models and fixing legacy systems; and cross-boundary collaborations.

The Promise and Peril of Big Data, *Rory McDonald, Harvard Business School*

Rory McDonald explored the rhetoric and reality of big data, raised important questions on its application, and introduced new ideas and strategies to respond to big data. The group began by sharing their perspectives and associations with big data, ranging from making unstructured data searchable, hacking, personal intrusion, "dirty vs. clean data," the ability to make predictions, introducing new perspectives, opportunities to identify new trends and patterns, and the skills to analyze big data. Following the discussion, Dr. McDonald defined "big data" as an emergent business concept that refers to the application of new tools to vast data troves beyond that captured in standard databases (denoted by its volume, velocity, and variety). He then examined the four big claims of data evangelists: 1) datafication reveals hidden insight, 2) data trumps intuition, 3) more data is better than less data, and 4) correlation is prioritized over causality. Dr. McDonald discussed the "human factors" and reminded participants to be 1) cognizant of what you're not measuring, 2) aware of systematic biases of who/how you're measuring things, 3) mindful that big data depends on history maintaining the same trend (although we know that the past may or may not be a good predictor of the future), and 4) attentive to data leading to rigidity when we rely on it

too much. He also introduced the problem of quantitative privilege (where quantitative data is prioritized over qualitative data), demonstrated the subjective nature of data (in how it is collected, structured, interpreted, etc.), noted that data often bring a false sense of rigor, and reminded participants that it is often harder to measure and "datify" the soft-side of leadership, but we know it matters greatly. Dr. McDonald reminded the group to approach data by using big data on the big data, creating feedback loops, getting the data right, triangulating from multiple types of data (stories, anecdotes, etc.), relying on theories rather than hypothesis-free associations, and finding occasions to deny and test the data.

AmazonFresh, *Rory McDonald, Harvard Business School*

Led by Dr. Rory McDonald, participants examined a case study exploring Amazon's entry into the grocery industry through AmazonFresh. The group began by exploring the pros and cons of Amazon entering the online grocery market, including: low margins, a competitive market, failed entries, demand for groceries, engaging in a tactile endeavor, learning opportunities, people's willingness to pay a premium for convenience, opportunities for customers to save money by not filling their cart with unneeded items, the value to various segments (older family members, millennials, the disabled), and logistical challenges. They reflected on lessons learned from previous market entrants, exploring issues such as: the right time of entry, predictive choice of when to invest, using data and information to drive new behaviors in the future, capitalizing on reputation and experience, developing a big data strategy, and the impact of marketing. They reflected on factors that changed since Webvan first launched, including enhancements to the Amazon brand as cool, hip, quality, reliable, and trusted, the introduction of drones and distribution centers, the impact of millennials, technology advances, cross-selling opportunities, and the value of convenience. Participants explored operation challenges ranging from human capital and training, to accuracy, to the speed of technology, to supply chain constraints, to optimizing delivery routes, and to managing food spoilage and shelf life issues. And they reflected on pros and cons of refining the existing grocery delivery model in Seattle or expanding to either Los Angeles or New York. During the discussion participants also offered insights on establishing different models to either replicate success or learn as much as possible; hiring people who have learned from past failures; responding to critics when introducing disruptive innovations; moving into future scenarios where customers (constituents) will always want things faster, with greater selection, and at reduced prices; and achieving cultural alignment.

Case Studies: Alternative Workforce Solutions (AWS) in Tennessee and Launching a Unified Service Delivery Center in Pennsylvania

The 2017 NASCA Institute featured two case studies on responding to the new velocity of change. On Thursday, participants examined the State of Tennessee's new initiative to transform the way state employees work by introducing Work from Home, Mobile Work, and Free Address programs to over half of the state's agencies. To accomplish this the State of Tennessee had to cultivate buy-in for AWS among participating agencies and staff; manage the political environment to overcome resistance and align stakeholders on the pace of change (including the state legislature, the Tennessee State Employees Association, and agency heads/peer commissioners); capitalize on technology, data and analytics, and

platforms; and manage cultural change. Through discussing this case, SCAs and other participants reflected on managing major policy changes, establishing effective funding models, developing new productivity measures, mitigating new risks, generating buy-in among key stakeholders, driving culture change, and more. Later that afternoon, the group reviewed Pennsylvania's efforts to transition 3,000 information technology (IT) and human resources (HR) full time employees into the Office of Administration to create a new delivery center model, with the goal of improving services for citizens and agencies while reducing costs and streamlining collective functions through this transformation. To manage this effectively the Commonwealth of Pennsylvania had to stabilize existing structures and systems; establish buy-in; address concerns, and foster collaboration, among the different agencies, customers, and other stakeholders affected by the consolidation; pace the implementation; and adapt to the needs of different stakeholders. Participants reflected on balancing enterprise-wide innovation and citizen focus with agency needs, managing adaptive challenges, preparing people for change, the importance of over-communicating, balancing consolidation and customization, moving to a matrixed organization, adopting a portfolio view, and accelerating the pace of change.

At the Speed of Machines, *David Bray, Harvard Visiting Executive In-Residence and World Economic Forum Young Global Leader*

David Bray reminded participants that we are living in exponential times. He noted that we can no longer respond to changes incrementally, given the tremendous increase in digital data and networked devices: the world will be dramatically different, and we will not have made the massive change quickly enough. To emphasize this point he shared predictions demonstrating the dramatic nature of the changes underway and innovations that already exist around AI and machine learning. He reviewed manual and creative tasks AI is currently doing, such as winning poker or *Jeopardy!*, painting like Van Gogh, and posting to Twitter. He explained that AI and machine learning can augment and amplify tasks, noting this will be ripe for public service work that is rote, process-based, and repetitive. He explored why this matters, highlighting: 1) increased turbulence, 2) the impact of globalization, and 3) implications for work, purpose, and meaning. Dr. Bray spoke about the role of leaders in stepping outside of expectations and managing the new friction this creates. And, he highlighted how AI, machine learning, and analytics will impact resiliency, agility, and efficiency. The group then explored opportunities to improve public service with these new tools. In particular, participants discussed opportunities to improve procurement processes, enhance hiring processes and resume reviews, measure citizens' quality of life, improve the perception of public service through crowdsourcing, use data to improve responses to the opioid epidemic, apply AI to accounts payable and receivable, create new feedback loops with legislators and agency partners, and pre-emptively provide information to build trust and legitimacy (akin to UPS's tracking systems). Dr. Bray concluded the session by 1) inviting participants to have conversations about this topic, knowing there is more risk associated with maintaining the status quo than embarking on transformation efforts, 2) encouraging them to engage the public and the private sector in developing new solutions, and 3) reminding the group that the only way to gain expertise is by doing experiments.

Lessons Learned and Institute Wrap-up

During the synthesis sessions, participants discussed adaptive and technical challenges; they considered areas that are ripe for rapid advancements and initiatives that require more deliberate, moderated pacing; and, they explored the direction of change, considering the value of advancing a portfolio of innovations and new business models, like those featured in the case studies on Pennsylvania and Tennessee. Participants highlighted examples where, with the right approach and political will, change does not have to be so deliberate and slow. They reflected on how a crisis can serve as a catalyst for change. SCAs also noted the value of sharing best practices to minimize the time and effort spent on technical challenges, freeing up capacity to address adaptive challenges. There were discussions about strategies to move past turbulence, and mitigate risks, variance, and uncertainty around the Return on Investment of new business models and approaches. And, Dr. Oftelie reminded the group about the legitimacy challenges facing state governments, and the importance of this work, concluding the Institute by inviting participants to reflect on the design of their organizations, as they respond to the new velocity of change and prepare for the future.